CFD financing against cash ownership: the crossover

> **THE CROSSOVER**
>
> The holding period at which a CFD's accumulated nightly financing exceeds the one-off costs cash ownership would have paid. Before it, the wrapper is cheaper; after it, every night is pure extra cost. For a UK name the doorway gap is roughly the stamp duty, and the crossover lands around a month - making the wrapper decision a holding-period question with a computable answer.

Module 3s across this platform have priced meters against doorways three times. Equities' version has the cleanest arithmetic and the highest stakes, because one side of the ledger is genuine ownership with a zero holding cost.

The two ledgers, side by side

Cash pays at the door: spread, commission, stamp duty where it applies - then nothing, indefinitely. The CFD skips the duty and part of the doorway, then meters: nightly financing on the full notional, every night, including the boring ones. The worked example runs a representative month of that meter; the crossover falls where the meter's total passes the doorway saving - about thirty nights in the worked figures, and computable exactly for any real position from the broker's own numbers.

What each side buys beyond the price

The CFD buys optionality: leverage if wanted, shorting the same way, no capital tied at full size - real advantages the meter is partly paying for.Cash buys the module 1 rights - votes, direct dividends - and freedom from the counterparty and the meter: a position that costs nothing to be right slowly about.Neither is 'better': the ledgers price different services, and the crossover names the day the pricing flips.

The habit this installs

Every equity idea arrives with an expected holding period - module 6 will insist on it anyway - and that period now picks the wrapper before the first order: inside the crossover, the CFD's doorway saving stands; beyond it, ownership compounds its zero meter. The trader who holds CFDs for months is paying rent on a house they could have bought - the single most common, most quietly expensive wrapper error in retail equities, and it dissolves under thirty seconds of this lesson's arithmetic.

Worked example - figures in USD

A $12,000 CFD position financed at $2.50 per night, held 30 nights.

1. The CFD saved the doorway costs cash would have paid - and runs a meter instead: $2.50 per night on this position.
2. Thirty nights in, the meter reads $75. Set that against what the cash route paid once at the door, and the crossover date - the night the saving is spent - is arithmetic, not opinion.
3. Before it: the wrapper was cheaper. After it: every further night is pure extra cost against ownership. The idea's holding period decides the wrapper - the module's one-line rule, now in money.

Try it yourself with the compounding calculator: https://ticksprout.com/tools/compounding

Check your understanding

1. What defines the cash-CFD crossover?

a. The date leverage becomes profitable

b. The night accumulated financing exceeds the doorway costs cash would have paid once - after it, every further night is pure extra cost against owning

c. The broker's minimum holding period

Answer: b. One-off costs against a running meter: the intersection is a date. The worked figures land it near a month for a UK name, and any real position computes its own from the broker's numbers.

2. What is the commonest wrapper error this lesson targets?

a. Buying shares for one-day trades

b. Holding CFDs for months - paying a nightly meter long past the crossover on a position ownership would carry for nothing

c. Using limit orders in CFDs

Answer: b. Rent past the crossover buys nothing the position needs. The arithmetic is thirty seconds; the error, left unpriced, quietly compounds for as long as the position does.